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## Inside Pandora's Box- Consortia: What Do They Really Hold for the Future?

John R. Secor

*Yankee Book Peddler, Inc.*, [jsecor@ybp.com](mailto:jsecor@ybp.com)

Jack G. Montgomery

*Western Kentucky University*

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# Inside Pandora's Box — Consortia: What Do They Really Hold for the Future?

by **John R. Secor** (Chief Executive Officer, Yankee Book Peddler, Inc., Contoocook, New Hampshire) <jsecor@ybp.com>

Column editor: **Jack Montgomery** (Western Kentucky University)

## Introduction

Rarely do I mention my company when presenting a paper to librarians. Today, however, I ask for your indulgence because the heart of this paper comes from YBP's experience. While this is a paper about consortia, it also speaks to library/vendor relations and to strategy. Over the past 10 years or so, I have watched many organizations enter into relationships. Watching is good. But experiencing is better. Throughout this paper, I will interject thoughts gained from YBP's efforts to partner with other organizations.

YBP's long-term success is driven by a commitment to excellence by hundreds of people and by a choice we made when I founded the company in 1971 to "listen to the customer." In the '70s and '80s listening to the customer involved day-to-day expectations such as the right book, the first time, in a timely manner, at a fair price. Today, it revolves around publishers, vendors, libraries, utilities and end-users looking together at both subtle and dramatic trends that are shaping the times.

Our environment looks chaotic and confusing. But if we are to shape the future, we must understand the trends driving the present. I'll begin, then, by describing the trends I believe to be shaping the environment of libraries, booksellers, and others.

## Trends at the Millennium

At the 1998 winter meeting of the **American Library Association**, along with my colleagues **Gary Shirk** and **David Swords**, I hosted several breakfast meetings that brought to the table library directors, consortia leaders, and publishing executives. Our aim was to present five trends we had identified as contributing to the dynamic of the environment and enter into a "thinking together." I'll quickly review these key trends that are shaping the way we do our work.

### Trend 1: The Time Between Technological Revolutions is Diminishing

Trend 1 is obvious, but the way it works is not well understood. We are in the midst of an evolutionary event. In it, behavior influences behavior, not in a sequence, but in unpredictable cascades. One change might influence dozens of others in small ways or in grand ones, piling adaptation upon adapta-

tion, accelerating the pulse of change chaotically. The evolution of organizations is a complex web of adaptive behavior influencing behavior. Each adaptation in its turn meets a need in the environment, and each creates changes in the environment.

### Trend 2: The Urge to Merge

The real subject of this paper, the urge to merge, is about the co-evolution of diverse organizations. That is, unlikely alliances are creating better ways of delivering products and services among competitors; between businesses that at first blush seem to have nothing in common, but that improve one another; and between suppliers and the institutions they serve.

### Trend 3: The Ascendancy of Business

The ascendancy of business means that the profit model of enterprise has succeeded so entirely that its ways are being imported, sometimes without much thought, into institutions that previously have been untouched by them. Most important, universities and libraries are being asked to do more with less, to satisfy diverse demands of changing customers in new ways.

### Trend 4: The Future is Limited by the Needs of Survival in the Present

Trend 4 suggests that many organizations find the pressure of survival in the present so crushing or so alluring that they are unable or unwilling to imagine the future. The requirement that an organization be a going concern at every stage of its life places iron constraints on its future.

### Trend 5: Morphing the Libraries

Finally, trend 5, morphing the libraries. Some believe that libraries will perish. I do not. I see signs that libraries will not long remain the nineteenth-century institutions of their invention, but that they will transform rather than perish. Libraries should become more central to the ways that we mingle information. But, doing so is contingent, not given.

**Gary Shirk**, in a presentation to members of the **Australian Library Association** in March of last year, synthesized the thinking and questioning that took place during

these focus groups. Gary wrote:

"Is the role of education and library services (and those businesses that support them) endangered? Can we match society's pace for adopting technologies? How far does business practice make sense in a socio-political enterprise like our publicly funded libraries? How shall we respond to increasing competition for attention, with time being an unrenewable resource? With whom do we really compete? Can we effectively form partnerships with our natural allies (other libraries), supportive and non-competing organizations like booksellers, and potential competitors (like media, publishing, computer, and telephone companies)? In an era of scant resources, how can we afford to both succeed today and evolve to meet the future?"

### Strategic Positioning

Looking together at important trends is the first step to framing our confusions. But to remain vital, we must develop strategies that enable our organizations to gain and maintain a competitive advantage. As Gary, David, and I reviewed the transcribed tapes of the focus groups, it was clear that the environment academic libraries inhabit is becoming highly competitive as diverse organizations begin to vie for the attention and the business of the information user.

What, then, are libraries doing to position themselves in the new marketplace? Librar-

ies are looking at organizational transformation and have, for good or ill, adopted business management techniques such as total quality management, downsizing, outsourcing, and re-engineering. The focus, as it

is in business, is on operational improvement. And like businesses, libraries have approached transformation with the mindset that they are engineered systems to be smoothly re-engineered. In reality, organizations are not machines that can be tinkered with and made to work better. Organizations are largely shaped by evolution, not by rational design.<sup>3</sup>

In a benign environment, "what to do" questions are easily answered. But when an entire enterprise such as ours attempts to remake itself, discerning "what to do" becomes the central challenge facing leaders. Library leaders and the leaders of businesses that deliver the products and services they use are

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*"As you will see, I believe that assumptions about how library consortia will work do not fit reality."*



scrambling for adaptations that will work. All too often, these efforts do little to rid us of our crisis mindset. **Peter Drucker**, writing in the *Harvard Business Review*, says, "The root cause of nearly every crisis is not that things are done poorly. It is not even that the wrong things are being done. Indeed, in most cases, the right things are being done—but fruitlessly. What accounts for this apparent paradox? The assumptions on which the organization has been built and is being run no longer fit reality."<sup>4</sup>

Our business environment is highly complex and evolving rapidly, requiring change on an unprecedented scale. Each of us needs to test the assumptions that are dictating what we do and what we do not do. We need to think about markets, customers, competitors, technology, and our organization's strengths and weaknesses. We need to look continually at whether our assumptions fit the reality of the time. As you will see, I believe that assumptions about how library consortia will work do not fit reality.

Library consortiums have been around for years. Over the past decade, their priority has been to negotiate best price for print-on-paper and electronic journal titles or articles through group purchase. They are today broadening their scope to include book purchasing. The current strategy, particularly in the United States, Australia, and the United Kingdom is the pursuit of incremental price improvements.

Securing an additional discount point or two is, at best, a short-term Band-Aid. Price alone will not enable a library to remain vital. Long-term, libraries need to challenge their conventions so that they can play by the new competitive rules brought forth by today's technological advancements. Ultimately, libraries must deliver new value to their end-users, and this new value must be greater than that delivered by competitors. In order to remain successful, libraries have to focus on strategic positioning.

Positioning is all about making choices and over the past two decades, YBP has had to make choices about how it would meet evolving needs of customers. In 1974, we determined that we should develop a competency in approval services. In 1980, we faced the choice of remaining a specialized vendor of university press books or dramatically increasing our publisher base; we chose to increase the base, adding thousands of publishers to our firm order, approval, and serial services. Several years ago, we had to make hard choices relating to supplying cataloging and technical services. Were these businesses we wanted to get into or not? We chose to develop competencies in both services. And they were good decisions. (Which is not to say, of course, that we have not made significantly bad decisions as well.)

The choices we are now making concern the supply of electronic information and consortial services, both of which have far-reaching strategic implications. Many companies do a poor job in developing distinct strategic positions. And most libraries, because they have barely grappled with the notion of having to outperform rivals, rarely have strategies. Each of the five trends I mentioned earlier requires that we learn how to develop strategy. Failure to do so will result in not making the hard choices necessary to continuing vitality. Having said this, none of the key trends is more strategy-dependent than Trend 2, "The Urge to Merge."

### **Cooperative Arrangements**

Companies around the world are forming relationships for many reasons: to gain new knowledge; to establish a foothold in a new market or new part of the world; to create new value for the customer; to become stronger by merger and thereby create new wealth for shareholders by eliminating competition.

YBP's experience suggests how easy it is to form an alliance and how difficult it is to get it to flower. Globalization has long been a goal of ours. In the mid-1980s, we formed an alliance with a British bookstore that also had a library supply business. Cooperation was to involve our buying of British books from the bookstore and their buying of US publishers from us. More important, we were to increase the existing customer base, they for US books in the UK and Europe; we for British books in the US and Canada. Regrettably, the bookstore found it essential to focus on their core business. Activities for joint market expansion were shelved, and the relationship settled into a cross-buying contract.

In the mid-1990s, we formed an alliance with a London-based library vendor. This time, YBP's senior managers spent more time on the due diligence process, looking at how well the managements of both organizations would work together and the integration of strategies. However, the alliance soon unraveled when it became clear that the goals of the two companies were incompatible.

**Rosabeth Moss Kanter**, Professor of Business Administration at the **Harvard Business School**, has studied productive partnerships worldwide. She says, "Relationships between companies begin, grow, and develop—or fail—in ways similar to relationships between people."<sup>5</sup> Our experience similarly indicates that, like relationships between people, relationships between organizations must be based on shared long-term goals,

chemistry, compatibility, and trust.

### **Cooperation Among Libraries**

Libraries have been cooperating with one another for several decades, driven by what **Kate Nevins**, Executive Director of **SOLINET**, calls "common cause." These consortial arrangements, such as ILL, union catalogs, etc., have produced efficiencies and cost savings. Today, cooperative collection development is an emerging priority. Yet, in a recent conversation, **Sharon Hogan**, University Librarian at the University of Illinois at Chicago, put the difficulties of moving toward cooperative collection development this way, saying, "I have tried to work with one or two institutions to see if we could somehow leverage our book resources, but the momentum to stop us, even though the three directors want to do this, is horrendous."

As libraries move toward book buying consortia, their real benefits, such as cooperative collection may be thwarted, as **Sharon Hogan** suggests. They may then lower their sights to achieving supposed financial advantages alone. We believe that consortia existing only for high discounts will be diminished arrangements that create unhealthy paradoxes.

To survive, booksellers must be profitable. Libraries, for their part, must continually negotiate best price. Yet, our reason for being should not, cannot, and must not be defined in terms of profits and costs alone—not if we want to remain vital. Consortia should be concerned with price. But when any alliance wields the club of supposed self-interest too narrowly, it risks misunderstanding the greater value that a broader concept of partnerships can create.

Consortia can use collective buying power to increase discount but make a mistake when they try to drive discounts skyward and insist on excellent service and radical technical innovation in addition. Such expectations are paradoxical. Excellent service requires a company to make enormous investments in people and technology. The right book, the first time, in a timely manner are no longer sufficient. Libraries expect book vendors to provide sophisticated acquisitions and collection development support, with ready access to querying, selection, ordering, and reporting across their entire database. Shelf-ready services are also expected, and now, the ability to manage complex consortial profiles.

Some journal publishers may make enormous profits under the existing "print price plus electronic subscription cost plus inflation" model, but no bookseller of scholarly material to academic and research libraries

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***"The ascendancy of business, means that the profit model of enterprise has succeeded so entirely that its ways are being imported, sometimes without much thought, into institutions that previously have been untouched by them."***

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that I am aware of is making anything approaching enormous profits. Quite the contrary. We are losing money on the provision of technical services. And margins on books—depressed by declining publisher discounts, individual library expectations of more discount, and the vendor's own quest for market share—are dangerously low. Booksellers are much like supermarkets. Pre-tax margins tend to be 3 to 4 percent; after taxes, our profits are about 1.5 to 2 percent, extraordinarily low by any measure. The explosion of consortia looking for higher discounts from strapped book vendors, with no guarantee of minimum expenditures, no central billing and shipping, and no standard technical services profiles will, I believe, diminish overall value for member libraries.

How much better if consortia would base the selection of a book vendor on fair price, excellence in everything the vendor does, and innovation. Put differently, consortia can produce far greater value if booksellers are considered partners in the arrangement rather than as outsiders. The destinies of libraries and booksellers are symbiotically tied. Propping up declining monographic budgets on the back of the vendor will eventually break its back—leaving libraries to deal directly with the publisher. If this were to happen, the resulting precipitous decline in customized services and efficiency would prove disastrous to the operational effectiveness of libraries.

While there is little disagreement over the effectiveness of consortia in negotiating favorable licensing and electronic information agreements, many libraries are questioning just how effective activities focused on book contracts will be. No two library approval profiles are exactly alike. No two library technical services profiles are exactly alike. Book supply, unlike the supply of electronic information, is highly customized.

Recently I asked leaders of several consortia for their views on what the future holds.

**Dr. Gordon W. Smith**, Director, Library Resources, **California State University Office of the Chancellor**, offered the following thoughts:

"My view of the future of library consortia is that networking technology—specifically the Internet and the World Wide Web—combined with advances in automated library systems will move us to an entirely new level of resource sharing and cooperative collection development. Networking of individual automated library systems within a consortium will permit the development of a combined 'virtual collection' from the library user's perspective: patron-initiated interlibrary circulation will replace librarian-mediated interlibrary loan; online browsing of tables of contents and indexes will replace browsing of shelves for many patrons.

"Cooperative collection development in this networked environment will be enhanced through the collection and analysis of item-level usage data. Libraries will be able to make 'ownership versus access' decisions on the basis of hard data generated automatically by the linked systems, a process that can yield automatic ordering requests for books based on patron demand. Consortium-wide circulation data combined with automated analysis of collection strengths and weaknesses will permit member libraries to fine-tune their collecting patterns to strengthen their essential core collections while also building their specializations for sharing within the consortium."

**Tom Sanville**, Executive Director, **OhioLINK**, said:

"Consortia are classic manifestations of 'necessity is the mother of invention.' To be successful a library must provide a greater amount of information to meet the needs of its constituency. Contributing factors aggravating a long standing problem are: 1) The evolution of the global economy. 2) The growing need for more and more rapidly delivered information to succeed in education and commerce. 3) The production of greater amounts of information. 4) Rapidly developing technologies which enable expanded electronic information creation and access. 5) Information consumers' experiences with electronic information which fuel rising expectations for better information resources from traditional information outlets—the libraries. 6) Budgets that continue to fall behind the pace of needed information resources based on the economic models used by commercial information suppliers to sell to individual libraries.

"For these and other reasons, libraries are exercising the power of group purchase to cope better. The purposes are to reduce the

unit cost of information purchased and used, to expand information access and to build a more positive rationale for future investment in information in academic, school, and public library expenditures. If we are entering the age of information, then information must become more affordable and ubiquitous, as in the industrial age was the case with goods and services. Consortia are a mechanism to make this evolution possible."

Both statements are thoughtful and true. Sadly, neither references the role of booksellers

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**Notes and References**

1. To gain an understanding of the positive impact "thinking together" can have on organizations, see Senge, Peter M. 1990. *The Fifth Discipline: The Art & Practice of the Learning Organization*. New York, NY: Doubleday/Currency.
2. Shirk, Gary M. 1998. "Lao Tzu's Pit: Partnering in Dangerous and Chaotic Times." A presentation to the Australian Library & Information Association, Acquisitions Section, New South Wales Group, 27 March 1998. To be published in a forthcoming issue of *Library Acquisitions: Practice & Theory*.
3. Secor, John R. and David Swords. 1998. "Transforming the Organization, Part I." *Library Acquisitions: Practice & Theory* 22, no. 2: 139-145.
4. Drucker, Peter F. 1994. "The Theory of the Business." *Harvard Business Review* 72 (September-October): 95.
5. Kanter, Rosabeth Moss, 1994. "Collaborative Advantage: The Art of Alliances." *Harvard Business Review* 72 (July-August): 98.

**Acknowledgment**

Thanks to **David Swords** of Yankee Book Peddler for his help in preparing this paper. A version of this paper was presented at the **Lingnan Joint Symposium on Library & Information Services**, June 18, 1998, Lingnan College, Hong Kong.

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information that can be made available either online or via document delivery, there still is a central role in research and learning for the browsing and serendipity afforded by a physically real library. There is a cultural enrichment that takes place by seeing society's knowledge displayed on library shelves, just as there is unique value in viewing original pieces of art in museums.

University libraries are more than cumbersome filing cabinets; they remain houses where ideas and information of all kinds find protection from the ravages of time. They are central to the university, which itself is supposed to be a community where learning thrives, not just places where we stamp "Grade A" on the butts of graduating seniors and send them out to build their 401(k) fortunes.

In his inaugural address as president of the **University of Utah**, **J. Bernard Machen**

had the courage to remind his own attending state's governor that virtual universities—"limit the broader, more interactive aspects of university education." He went on to state that education that provides "spontaneous debate, discussion, and the exchange of ideas within the classroom is not the cheapest, but is the best." At the close of his speech, he reminded his audience "not to succumb to the temptation to force a college education to its lowest common denominator."

I applaud Dr. Machen's comments. They have the ring of a truth that deserves to outlive the lore that our western governors are trying to attach to this experiment.

By the middle of last summer, WGU had a target of 600 students registered for its course of study. Only 75 had signed up. While that comforts me, I hope it doesn't lull me into a sense of false security. I don't want WGU to fail. I just want it to succeed for what it is: an adjunct to real colleges and universities, not as a model for replacing those institutions...and their libraries.



## Call for Ideas/ Papers/Speakers/etc.

### Issues in Book and Serial Access and Ownership

If you are interested in leading a discussion, acting as a moderator, coordinating the lively lunches or simulation rooms, or would like to make sure we discuss a particular topic, please let us know. The **Charleston Conference** prides itself on creativity, innovation, flexibility, and informality. If there is something you are interested in doing, please try it out on us. We'll probably like it...

The planning Directors for the **1999 Charleston Conference** include — **Barbara Dean** (Arlington County Public Library), **Robin Lent** (U. of New Hampshire), **Heather Miller** (SUNY-Albany), **Katina Strauch** (College of Charleston) and **Jack Montgomery** (Western Kentucky University).


Send ideas by **June 30, 1999**, to:

**Rosann Bazirjian**


Assistant Director Technical Services  
Florida State University Library  
Phone (850) 644-6321  
Fax (850) 644-5170  
Internet: <rbazirji@mailers.fsu.edu>.

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ers in the brave new worlds that they describe. The lesson, in my mind, is that we must do a better job of appearing necessary to the future of libraries. In the minds of most leaders of consortia and many directors, we provide books and services, but our destinies are not joined.

I believe, by contrast, that our futures are tied, that libraries and booksellers are in the midst of an evolutionary event, and that we are co-evolving. Ultimately, consortia will achieve their real potential when vendors are brought in as partners to assist in envisioning the broad strategies that will give consortia far more value than when discount or even cooperative collection development are the driving forces. 

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So, what are we to do? We need to cultivate within ourselves and with our organizations a tolerance for off-the-wall thinking so that out-of-the-box solutions can be aired and adopted when appropriate. The alternative is more of the same old, same old solutions with which we are all too familiar. 

### Rumors from page 14

too much needed information in the hopes of cutting out distasteful information. **RuleSpace's WebChaperone** software is based on an "artificial-intelligence engine called the Intelligent Content Recognition Technology, and is designed to differentiate between legitimate content and pornography." See **TechWeb** 26 Jan 99.

According to **Jim Nichols**, *Plain Dealer* reporter, **The American Civil Liberties Union** says it will file a barrage of lawsuits in 1999 to ensure that adults can use libraries' Internet-connected computers to look at pornography and other materials that may be deemed offensive. <http://www.cleveland.com/news/pdnews/metro/calibe.phtml>

Here's a publisher that archives the product! **Against the Grain!** **Lea Fraser** <leaf@pop.ucr.edu> sends word that the **University of California at Riverside** has an **ATG** subscription but needed a replacement volume! Here we are at **ATG** ready to help!

Speaking of which, your full-service publisher, value-added librarian recently heard from **Margaret A. Rioux** <mrioux@whoi.edu> who needed help with an **ATG** article citation. Do you remember the article by **Tony Ferguson** called "Interesting Problems Encountered on My Way to Writing an Electronic Collection Development Statement." Well **Maggie** and **Steve Oberg** are doing a seminar on digital resources in libraries for the **IX Transborder Library Forum** in Mexicali in March and they wanted to cite this article by Tony. Pretty exciting that **Maggie** and **Steve's** article is going to be translated into Spanish.

**Bill Schenck** (Library Services, Library of Congress) <wsch@loc.gov>, reported to **Collection Development Officers of Large**

**Research Libraries Discussion Group** during **ALA Midwinter** (and to **Coldv-l**) that the Library had received an increase of 5.2% (\$454,000 in its materials budget) for FY99. This increase permits additional spending for subscriptions for electronic materials, increased support to acquire current publications from the People's Republic of China and Taiwan, replace missing and lost books, and increased support for Special Collections. The **Library of Congress** lifted the moratorium on all but high-priority subscriptions at the beginning of FY98 but continues to exercise restraint in initiating new subscriptions. I was remembering when I first met the wonderful **Bill**, when he was Head of Acquisitions at **UNC-Chapel Hill**. **Bill** attended the first **Charleston Conference** in 1980 and was one of the movers and shakers behind the Memorial Service which we held for **Judy Webster** in Philadelphia just last month. Additional information about activities at the Library of Congress can be found on the **ALA Briefing Update**, accessible through the Library's homepage ([www.loc.gov](http://www.loc.gov)).

This is off the **Law-lib** listserv which last month was featuring an article on Internet use policies, and it includes a sample policy. Take a look at **Internet Usage Policies in the Workplace**, by **Todd Wulffson** at <http://www.llrx.com/features/wulffson1.htm>.

**Gary Herald** <gary@absbook.com> sends word that **Ambassador Books & Media** has been contracted to distribute the publications of the **Summer Institute of Linguistics** located at 7500 W. Camp Wisdom Road, Dallas, TX 75236.

**Nat Bodian** sends word that **John Kremer**, the publisher of **Open Horizons**, has dropped the price of **Nat Bodian's The Joy of Publishing** to \$19.95 (plus \$4.50 shipping and handling). Lets all buy a copy!

Okay. That's all (for now) folks! 

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Ad Manager: Edna Laughrey Internet: [elaughrey@aol.com](mailto:elaughrey@aol.com)  
phone: 734-429-1029; fax: 734-429-1711